

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – January 2018**

Applicant/Obligor:	Yu Ming Charter School
Project School:	Yu Ming Charter School
CDS (County – District – School) Code:	01-10017-0124172
School Address/Proposed Site:	6232 Street Oakland, 94608
Type of Project:	New Construction / Rehabilitation
Type of Apportionment:	Preliminary
County:	Alameda
District in which Project is Located:	Oakland Unified School District
Charter Authorizer:	Oakland Unified School District
Total OPSC Project Cost:*	\$7,500,000
State Apportionment (50% Project Cost):	\$3,750,000
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	\$3,750,000
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment:	\$191,322
First Year of Occupancy of New Project:	2020-21

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Yu Ming Charter School (“School” or “Yu Ming”) is financially sound for the purposes of Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Yu Ming Charter School electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review of Yu Ming Charter School. Detailed information is contained in the body of the report.

Criteria	Comments
-----------------	-----------------

<i>Obligor Information</i>	
Eligibility Criteria	Yu Ming Charter School has met all eligibility criteria: (1) Yu Ming has been in operation since 2011-12; (2) Yu Ming's charter was approved on July 1, 2016 and is in place through June 2021; (3) Yu Ming Charter School is in good standing with its chartering authority, and in compliance with the terms of its charter.
Demographic Information	Yu Ming Charter School currently serves 389 students in grades K-7 with the intention of serving grades K-8 in 2018-19. Enrollment in 2018-19 is expected to be 450 students. ADA rates are projected as 96% which is reasonable.
Student Performance	Yu Ming has outperformed local public elementary schools and local school district.
Debt Service Coverage	Yu Ming projects a debt service coverage of 172.5% and 154.9% for 2021-22 and 2022-23, respectively.

Program Eligibility: On October 6, 2017, at CSFA staff's request, verification was received from Oakland Unified School District confirming that Yu Ming Charter School (1) is in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority. Yu Ming's current charter is effective through June 2021.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: Yu Ming Charter School is applying for both New Construction and Rehabilitation for address 6232 Street, Oakland, CA. The new construction will add seven new classrooms consisting of three for 7th grade, three for 8th grade, and one for non-severe special education students. The rehabilitation portion will include the rehabilitation of six classrooms in two buildings.

School Organizational Information: Yu Ming is a public charter school located within the boundaries of Oakland Unified School District and is authorized by the Oakland Unified School District. Yu Ming's initial charter was submitted to the Oakland Unified School District prior to the 2011-12 year. Yu Ming's most recent charter was approved by the Oakland Unified School District on July 1, 2016 with the charter set to expire on June 30, 2021. The school is a direct-funded independent charter school and is operated by a California public benefit corporation with IRS approved 501(c)(3) status. Yu Ming Charter School operates autonomously from the District, with the exception of the supervisory oversight as required by statute and other contracted services as negotiated between the District and the School.

Yu Ming is a language-immersion school rooted in a 2-way language immersion model, with 50% of the curriculum taught in English and the other 50% in Mandarin. In addition to the language mix used instructionally Yu Ming enrolls students representing a blend of primary language, with 50% having some proficiency already in Mandarin and the other 50% proficient in English or another language. However students are integrated throughout the

school day regardless of primary language. The proportion of instruction shifts gradually over the course of student progression, with K-2nd grade taught in Mandarin 90% of the time. By 3rd grade instruction shifts to 70/30 Mandarin-English; 5th 50/50; and 30/70 6th-8th. The dual immersion curriculum hopes to promote bilingualism, bi-literacy, grade level academic achievement and positive cross-cultural attitude and behaviors.

Yu Ming Charter School's broader mission is to provide a challenging and comprehensive education for K-8 students by preparing them to be inquisitive and analytic lifelong learners, specifically the mission is: To provide an academically rigorous college preparatory program; To graduate students who are bilingual and bi-literate in Mandarin Chinese and English; To nurture intellectual curiosity, cultural competence, international perspective and diligence in attaining personal goals; and To develop young people with compassion, sound moral character and a sense of responsibility for the community and environment.

Yu Ming additionally offers both a long school day and school year. The regular day is approximately six hours and 45 minutes, from 8:15 – 3:00, around 30 minutes longer than traditional public school days. The school also provides 190 days of instruction, 10 days more than traditional public schools and 15 more than the legal minimum.

The school, Board and leadership are committed to serving a student body that reflects the East Bay's diversity. Since their founding Yu Ming Charter School has proactively sought to attract/recruit students currently under-represented in Yu Ming's student population compared to Alameda County. Outreach activities have included: Targeted visits to neighborhood early childhood programs and preschools serving low-income, African American and Latino families; Cultivating relationships with leaders of nearby Head Starts, preschools and early childhood centers, especially those serving a high proportion of low-income, African American and Latino families; Disseminating information about the school in English, Spanish and Chinese in neighborhood gathering places such as community centers, barber shops, hair salons; Weekend school tours with childcare; and personal calls by the Principal to the families in target populations that were offered slots or high up on the wait list who were in our target populations.

Yu Ming is led by Celia Pascual and Sue Park. Ms. Pascual was previously a District Elementary Math Specialist for the Oakland Unified School District, a Math coach, and a 4th and 5th grade public school teacher in Oakland Unified. She has a Bachelor's of Arts from UC Berkley and a teaching credential from Cal State East Bay. Ms. Park was previously the Senior Vice President of Programs for Camino Nuevo Charter Academy; Managing Director of Teach For All; Vice President of State District Relations for Teach for America; and Principal of Camino Nuevo Charter Academy. She has a Bachelor's of Arts from UC San Diego, a Juris Doctorate from UC Berkeley and her Master's in Education from UCLA.

Yu Ming Charter School is governed by a 10 member board of directors. The current Board roster includes; Eric Petersen (Chair); Brianna Swartz (Vice-Chair); Thompson Paine (Secretary); Jessica Norman (Treasurer); Rodrigo Prudencio; Matt Miller; Phuoc Lee; Joy Lee; Julie Mikuta; and Ron Lewis.

School Academic Performance: The following tables represent the 2014-15, 2015-16 and 2016-17 academic performance of Yu Ming, the combined averages of Anna Yates Elementary and Aspire Berkeley Maynard (Local Schools), and the closest local district, Berkeley Unified School District (BUSD). The results are provided through CDE's CAASPP Smarter Balanced testing data.

English Language Arts – Comparison

	Years		
	2014-15	2015-16	2016-17
Yu Ming	76%	79%	89%
Local Schools	22%	34%	31%
BUSD	58%	61%	61%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Yu Ming	N/A	Highest	Highest	N/A	0/2	0/2
Local Schools	N/A	Average; Average	Low; Low	N/A	2/4; 1/5	4/6; 3/5
BUSD	N/A	High	High	N/A	1/8	6/9

Mathematics– Comparison

	Years		
	2014-15	2015-16	2016-17
Yu Ming	88%	83%	86%
Local Schools	21%	27%	22%
BUSD	54%	58%	57%

	All Students Performance			Student Groups w/ Below Avg. Performance		
	2014-15	2015-16	2016-17	2014-15	2015-16	2016-17
Yu Ming	N/A	High	Highest	N/A	0/2	0/2
Local Schools	N/A	Average; Average	Low; Low	N/A	2/4; 1/5	4/6; 5/5
BUSD	N/A	High	High	N/A	2/8	6/9

Enrollment Trends and Projections: The tables below present enrollment information for Yu Ming from 2013-14 through 2022-23. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

School Student Enrollment and Average Daily Attendance

<u>Yu Ming</u>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enrollment	211	257	307	357	389	450	490	536

ADA	98.0%	96.8%	97.3%	96.0%	96.3%	96.0%	96.0%	96.0%
-----	-------	-------	-------	-------	-------	-------	-------	-------

Yu Ming	2021-22	2022-23
Enrollment	561	561
ADA	96.0%	96.0%

Financial Data Sources: This financial analysis is based on the consideration and review of the following for Yu Ming: (1) audited financial statements for 2013-14 through 2016-17; (2) adopted budget for 2017-18; and (3) budget projections for 2018-19 through 2022-23 along with assumptions.

Assumptions: Yu Ming's financial projections are based upon the following assumptions: (1) occupancy of the rehabilitation and new construction projects in 2020-21; (2) Enrollment projections as provided above under "Enrollment Trends and Projections"; (3) Projected ADA rates of 96%, which are consistent with historical performance; (4) Local Control Funding Formula (LCFF) per-ADA funding rate of \$7,605 for 2017-18, as included with adopted budget document for 2017-18; (5) a 3% COLA for certificated salaries; and (6) a 3% inflation adjustment for "Services and Other Operating Expenses."

Long Term Liabilities: As of June 30th, 2017, Yu Ming has no long term liabilities or debt.

Private Contributions: Per the audited financials submitted, Yu Ming received an average of more than \$400,000 in contributions which averaged about 13% of operating revenue. Projected contribution revenue averages more than \$530,000 but makes up a smaller portion of operating revenue, about 9%.

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff's analysis regarding Yu Ming's financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

OPERATIONAL, FINANCIAL & STUDENT PERFORMANCE METRICS										
	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
OPERATIONAL & FINANCIAL										
Enrollment	211	257	307	357	389	450	490	536	561	561
Average Daily Attendance (ADA)	207	249	299	343	375	432	470	515	539	539
Average Daily Attendance (%)	98.0%	96.8%	97.3%	96.0%	96.3%	96.0%	96.0%	96.0%	96.0%	96.0%
LCFF Sources/ADA	\$ 5,977	\$ 6,571	\$ 7,288	\$ 7,605	\$ 7,795	\$ 7,956	\$ 8,152	\$ 8,385	\$ 8,596	\$ 8,802
% Change		9.9%	10.9%	4.4%	2.5%	2.1%	2.5%	2.9%	2.5%	2.4%
Operating Revenues/ADA	\$ 10,932	\$ 10,985	\$ 12,165	\$ 12,338	\$ 12,374	\$ 12,171	\$ 12,187	\$ 12,414	\$ 12,382	\$ 12,622
% Change		0.5%	10.7%	1.4%	0.3%	-1.6%	0.1%	1.9%	-0.3%	1.9%
Operating Expenses plus CSFP Lease/ADA	\$ 9,246	\$ 11,518	\$ 11,277	\$ 11,473	\$ 12,623	\$ 11,857	\$ 11,895	\$ 12,056	\$ 12,288	\$ 12,574
% Change		24.6%	-2.1%	1.7%	10.0%	-6.1%	0.3%	1.4%	1.9%	2.3%
Free Cash Flow/ADA	\$ 1,686	\$ (533)	\$ 889	\$ 866	\$ (249)	\$ 314	\$ 292	\$ 358	\$ 94	\$ 48

Item 4(S) – CSFP Staff Summary
Yu Ming Charter School
Page 6 of 7

	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
DEBT SERVICE COVERAGE										
Total Operating Revenues	\$2,261,116	\$2,731,651	\$3,635,635	\$4,228,643	\$4,636,314	\$5,257,948	\$5,732,694	\$6,387,964	\$6,668,693	\$6,797,811
Total Operating Expenses	1,912,338	2,864,107	3,369,983	3,931,955	4,729,664	5,122,244	5,595,269	6,203,510	6,426,584	6,580,390
Total Other Sources/Uses	-	-	-	-	-	-	-	-	-	-
Net Income Available for CSFP Lease Payment	348,778	(132,456)	265,652	296,688	(93,350)	135,704	137,425	184,454	242,109	217,421
Add Back Capital Outlay	-	-	-	-	-	-	-	-	-	-
Add Back Depreciation	-	11,464	13,756	-	-	-	-	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	348,778	(120,992)	279,408	296,688	(93,350)	135,704	137,425	184,454	242,109	217,421
CSFP Lease Payments	-	-	-	-	-	-	-	-	191,322	191,322
Free Cash Flow	\$ 348,778	\$ (120,992)	\$ 279,408	\$ 296,688	\$ (93,350)	\$ 135,704	\$ 137,425	\$ 184,454	\$ 50,787	\$ 26,099
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	126.5%	113.6%
DSC from LCFF Sources subject to CSFA Intercept									N/A	2419.9%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.9%	2.8%
FUNDRAISING										
Fundraising for Operations	\$ 288,224	\$ 344,945	\$ 434,005	\$ 560,294	\$ 514,000	\$ 540,000	\$ 490,000	\$ 536,000	\$ 421,551	\$ 416,810
Fundraising/Oper. Revenues	12.7%	12.6%	11.9%	13.2%	11.1%	10.3%	8.5%	8.4%	6.3%	6.1%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-93.8%	-104.2%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	88.0%	93.7%
LIQUIDITY										
Current Assets	\$ 938,843	\$ 814,448	\$ 1,008,937	\$ 1,234,838						
Current Liabilities	158,927	243,244	158,325	87,538						
Net Working Capital	\$ 779,916	\$ 571,204	\$ 850,612	\$ 1,147,300						
Net Working Capital/Oper. Expenses	40.8%	19.9%	25.2%	29.2%						
Unrestricted Cash & Cash Equivalents	\$ 463,742	\$ 458,678	\$ 524,866	\$ 763,823						
Unrest. Cash & CE/Oper. Expenses (Days)	89	58	57	71						
Unrest. Cash & CE/All Expenses (Days)	89	58	57	71						

Benchmark Summary:

- Free Cash Flow/ADA – Met: \$466 avg. (>\$0)
- Free Cash Flow – Met: \$125,246 avg. (>\$0)
- Debt Service Coverage from Adjusted Net Income– Met: 126.5% and 113.6%
- Net Working Capital as Portion of Operating Expenses – Met: 28.8% (>5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Expenses – Not Met: 69 days (> 90 days)

Strengths, Weaknesses and Mitigants:

- + Yu Ming projects debt service coverage ratios for 2021-22 and 2022-23 of 126.5% and 113.6%, respectively.
- + As of June 30, 2017, Yu Ming has no long-term liabilities or debt to be paid.
- + AS of June 30, 2017, Yu Ming has \$1,147,300 in net working capital, approximately 30% of operating expenses.
- + Yu Ming has outperformed their local counterparts and district on average in both English Language Arts and Mathematics assessment.

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Yu Ming Charter School is financially sound for the purposes of Charter School Facilities Program Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Yu Ming Charter School electing to have its CSFP payments intercepted at the state-level, pursuant to Sections 17199.4 and

17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.